



# MONTANA LEGISLATIVE BRANCH

## Legislative Fiscal Division

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Legislative Fiscal Analyst  
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November 14, 2000

TO: Legislative Finance Committee

FROM: Todd Younkin, Associate Fiscal Analyst

RE: Department of Labor and Industry – Personal Services Transfers

This memo outlines an issue within the Department of Labor and Industry where appropriations transfers were made in violation of established statute and procedures during fiscal 2000 operations.

In 1999, the Fifty-sixth Legislature included the following provision within HB 2:

**“Section 7. Personal services line item** Funds appropriated for personal services or indicated in legislative intent as having been appropriated for personal services may not be expended under any other category except for contract services (expenditure object 2102 or its successor), when the amount of the contract services transferred will be used to directly substitute for use of personal services. Any transfer of funds from personal services to contract services must be reported in writing to the legislative finance committee (LFC). The provisions of this section do not apply to the Montana university system.”

During fiscal 2000, the Employment Relations Division overspent their appropriated operating expenses budget by \$554,149. This effected three results:

- 1) The division effectively transferred \$347,465 from personal services to contract services without coordination through the LFC;
- 2) The division effectively transferred \$92,734 from personal services to operating expenses other than contract services, in direct violation of HB2, section 7; and
- 3) The division violated the provisions of SB 19 by making changes to three first-level expenditure appropriations in amounts greater than \$25,000 and 25 percent, without briefing the LFC.

Additionally, this overstates the division's fiscal 2000 base year expenditures, as used for the 2003 biennium budget preparation, in comparison to what was appropriated by the Fifty-sixth legislature and subsequently approved by the Governor's Budget Office.

The situation appears to be resolved for future years. The department is aware of the issue and has taken several steps to avoid reoccurrence in future years, including filling a vacancy in the department's Fiscal Support Bureau. Additionally, the executive's budget proposal for the 2003 biennium includes a decrease of \$429,339 in fiscal 2002 and \$435,371 in fiscal 2003 to adjust the base for the transferred authority.